

REPORT

Q1
22

AkzoNobel

Cetol products used on eye-catching museum

Sustainable technology and responsible architecture blend beautifully in this visually stunning museum, which recently opened in Uruguay. Inspired by the shape of an ark and constructed from wood, the futuristic Atchugarry Museum of Contemporary Art (MACA) is surrounded by 40 hectares of greenery. Our Cetol woodcare brand supplied more than 1,000 liters of products for both the interior and exterior, which help to protect the impressive structure. The eye-catching museum is regarded as a prime example of how wood can be used for architectural purposes and not just for decorative applications.

Our results at a glance

Highlights Grow & Deliver (compared with Q1 2021)

- Revenue up 12% and 10% higher in constant currencies, driven by strong pricing (up 17%)
- ROS at 9.1% (2021: 13.6%), resulting from continued raw material and freight costs inflation and supply constraints
- Adjusted EBITDA at €317 million (2021: €391 million)

Highlights Q1 2022 (compared with Q1 2021)

- Pricing initiatives more than offset the increase of raw material and other variable costs (including freight), which increased €334 million compared with Q1 2021. Volumes 7% lower
- Operating income at €232 million (2021: €303 million), includes €2 million net positive impact from identified items (2021: €4 million net negative impact). OPI margin 9.2% (2021: 13.4%)
- Adjusted operating income at €230 million (2021: €307 million)
- Net cash from operating activities decreased to negative €102 million (2021: negative €31 million)
- Net income attributable to shareholders at €154 million (2021: €217 million)
- EPS from total operations at €0.87 (2021: €1.15); adjusted EPS from continuing operations at €0.86 (2021: €1.18)

Outlook

AkzoNobel targets to grow at or above its relevant markets, in line with the company's Grow & Deliver strategy. Trends differ per region and segment, with raw material and other variable cost inflation (including freight) expected to gradually ease during the second half of 2022. AkzoNobel aims to continue to offset raw material and other variable cost inflation (including freight) through pricing initiatives. Market uncertainties have increased due to the sanctions on Russia and the resurgence of COVID-19 in China, among others. Assuming there are no further significant market disruptions, AkzoNobel aims to deliver the €2 billion adjusted EBITDA target for 2023, and an average annual 50 basis points increase in return on sales over the period 2021-2023*. AkzoNobel targets a leverage ratio of 1-2 times net debt/EBITDA and is committed to retaining a strong investment grade credit rating.

* Please refer to the glossary on page 17 for underlying assumptions

Alternative performance measures (APM)

AkzoNobel uses APM adjustments to IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the tables on pages 12 and 13.

Summary of financial results

First quarter			
in € millions / %	2021	2022	Δ%
Revenue	2,263	2,525	12%
EBITDA*	388	321	(17%)
Adjusted EBITDA*	391	317	(19%)
Operating income	303	232	(23%)
Identified items*	(4)	2	
Adjusted operating income*	307	230	(25%)
OPI margin (%)*	13.4	9.2	
ROS (%)*	13.6	9.1	
Average invested capital*	6,726	7,008	4%
ROI (%)*	17.7	14.5	
Capital expenditures	57	57	
Net debt	1,408	2,687	
Leverage ratio (net debt/EBITDA)*	1.0	1.9	
Number of employees	32,700	32,900	
Net cash from operating activities	(31)	(102)	
Net income attributable to shareholders	217	154	
Weighted average number of shares (in millions)	188.8	177.7	
Earnings per share from total operations (in €)	1.15	0.87	
Adjusted earnings per share from continuing operations (in €)*	1.18	0.86	

* Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 12 and 13.

Financial highlights

Q1 2022

Revenue

Pricing up 17%. Revenue was 12% higher, and 10% higher in constant currencies. Volumes were 7% lower, mainly as a result of continued supply constraints, as well as normalization of DIY volumes in Decorative Paints EMEA. Furthermore, volumes were negatively impacted by COVID-19 restrictions in China. Mix was 1% lower due to geographic mix impact, especially in Decorative Paints EMEA. Acquisitions added 1%.

Cost of sales

Raw material and other variable costs (including freight), adjusted for the impact of lower volumes, increased €334 million compared with the first quarter of 2021.

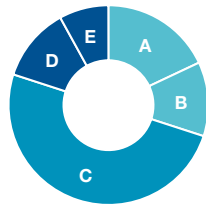
Acquisitions

In June 2021, the intended acquisition of Colombia-based paints and coatings company Grupo Orbis was announced. The acquisition is expected to be completed in April 2022.

AkzoNobel around the world

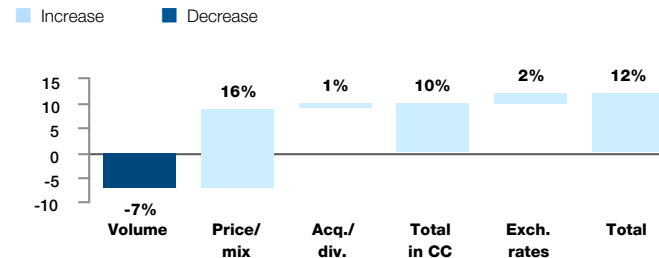
Revenue by destination

	%
A North Asia	18
B South Asia Pacific	12
C EMEA	50
D North America	12
E South America	8
	100



(Based on the full-year 2021)

Revenue development Q1 2022



Sustainability ratings reflect People. Planet. Paint commitment

We're extremely proud to have been awarded Platinum status by EcoVadis – a leading provider of business sustainability ratings. It's the eighth year in a row we've received their highest rating. A key contributing factor was our ambitious science-based sustainability target of halving our carbon footprint across the full value chain by 2030. It follows on from Sustainalytics awarding us our best-ever rating, with our sustainable portfolio, carbon program and reduction in waste and hazardous substance use among the highlighted strengths. Both of these ratings reflect our commitment to ensuring that everything we do starts with People. Planet. Paint.

Revenue

First quarter

in € millions	2021	2022	Δ%	Δ% CC*
Decorative Paints	930	1,006	8%	6%
Performance Coatings	1,332	1,518	14%	12%
Other activities	1	1		
Total	2,263	2,525	12%	10%

* Change excluding currency impact.

in % versus Q1 2021	Volume	Price/mix	Acq./div.	Exch. rates	Total
Decorative Paints	(7)	12	1	2	8
Performance Coatings	(7)	19	–	2	14
Total	(7)	16	1	2	12

Volume development per quarter (year-on-year) in %

	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22
Decorative Paints	28	22	(11)	(8)	(7)
Performance Coatings	10	30	(2)	(5)	(7)
Total	16	26	(6)	(6)	(7)

Price/mix development per quarter (year-on-year) in %

	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22
Decorative Paints	1	(2)	10	10	12
Performance Coatings	(2)	4	11	14	19
Total	(1)	1	11	12	16

Currency development per quarter (year-on-year) in %

	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22
Decorative Paints	(8)	(2)	–	1	2
Performance Coatings	(5)	(4)	1	2	2
Total	(6)	(3)	–	2	2

Financial highlights

Q1 2022

Operating income

Operating income at €232 million (2021: €303 million), with pricing initiatives more than offsetting the continued significant impact from raw material and freight costs inflation. Lower volumes in both Decorative Paints and Performance Coatings, mainly due to DIY normalization in Decorative Paints EMEA and continued supply constraints for all Performance Coatings businesses, especially in North America.

Operating income includes positive identified items of €2 million, mainly related to divestments, partly offset by transformation initiatives (2021: €4 million negative identified items relating to transformation initiatives). OPI margin at 9.2% (2021: 13.4%).

Other activities decreased €6 million to €31 million negative (2021: €25 million negative), among others due to €5 million negative identified items in Q1 2022 related to transformation initiatives (2021: €1 million positive).

Adjusted operating income

Adjusted operating income at €230 million (2021: €307 million), ROS at 9.1% (2021: 13.6%).

Net financing income/(expenses)

Net financing expenses increased by €4 million, mainly due to an increase in foreign currency losses.

Income tax

The effective tax rate was 27.2% (2021: 24.2%). The increase compared with the previous year is mainly related to updated prior year tax positions in Q1 2021 and Q1 2022, in opposite directions.

Net income

Net income attributable to shareholders was €154 million (2021: €217 million). Earnings per share from total operations decreased to €0.87 (2021: €1.15), including the impact of share buyback programs.

Impact from the conflict in Ukraine and sanctions on Russia

Our business in Ukraine and Russia combined represented about 2% of our revenue prior to the start of the conflict, of which the vast majority concerns Russia. We have approximately 650 colleagues in the countries.

In Q1, activities in Ukraine came to a halt. In Russia, our Aerospace Coatings activities and new investments and marketing activities have already been suspended.

As a result of EU sanctions which came into force after Q1, the majority of our Coatings business in Russia is being suspended and the residual Russian business will be locally operated. We are evaluating the situation daily; more of the remaining business in Russia might come to a halt in the next months, especially due to the practical difficulties around the supply of raw materials in Russia.

In Q1, the impact on operating income was approximately €5 million, of which €1 million relates to impairment of accounts receivable and inventories in the region. In addition, AkzoNobel is impacted globally by increased energy and commodity prices, as well as increased supply chain disruptions.

Operating income

First quarter in € millions	2021*	2022	Δ%
Decorative Paints	143	113	(21%)
Performance Coatings	185	150	(19%)
Other activities	(25)	(31)	
Total	303	232	(23%)

* Operating income per segment for 2021 has been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in 'Other activities'. More information is available on our website.

Adjusted operating income

First quarter in € millions	2021*	2022	Δ%
Decorative Paints	144	105	(27%)
Performance Coatings	188	149	(21%)
Other activities	(25)	(24)	
Total	307	230	(25%)

* Adjusted operating income per segment for 2021 has been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in 'Other activities'. More information is available on our website.

Operating income to net income

First quarter in € millions	2021	2022
Operating income	303	232
Net financing expenses	(8)	(12)
Results from associates and joint ventures	7	8
Profit before tax	302	228
Income tax	(73)	(62)
Profit from continuing operations	229	166
Profit from discontinued operations	(2)	—
Profit for the period	227	166
Non-controlling interests	(10)	(12)
Net income	217	154

Decorative Paints

Highlights Q1 2022

- Pricing up 13%. Revenue up 8% and up 6% in constant currencies
- ROS at 10.4% (2021: 15.5%), with lower volumes from DIY normalization in EMEA, continued raw material cost inflation and supply constraints

Q1 2022

Pricing up 13%. Revenue was up 8% and 6% higher in constant currencies, with significant pricing initiatives partly offset by lower volumes due to normalization of end market demand, especially in EMEA.

Operating income of €113 million (2021: €143 million), with pricing initiatives more than offsetting the continued significant impact from raw material and freight costs inflation. Operating income included €8 million positive identified items, mainly related to divestments and partly offset by transformation initiatives (2021: negative €1 million related to transformation initiatives).

Adjusted operating income at €105 million (2021: €144 million) and ROS at 10.4% (2021: 15.5%).

Europe, Middle East and Africa

Revenue in Q1 was up 1% (flat in constant currencies) as a result of significant pricing initiatives, partly offset by lower volumes due to normalizing market demand in the DIY segment after significant revenue increases in Q1 2021. Mix effect was negatively impacted by increased revenues in Southern Europe.

South America

Revenue in Q1 was 23% higher and up 17% in constant currencies, driven by pricing initiatives, partly offset by lower volumes due to supply constraints, especially in Brazil.

Asia

Revenue in Q1 was 21% higher and up 14% in constant currencies, driven by both pricing initiatives and higher volumes. In South East Asia, significant pricing initiatives offset lower volumes, partly due to the impact from COVID-19, with India and Vietnam showing strong revenue growth in the retail segment. For China, revenue was up, supported by significant pricing and volume growth in the retail segment and geographic expansion, and despite the impact from COVID-19.

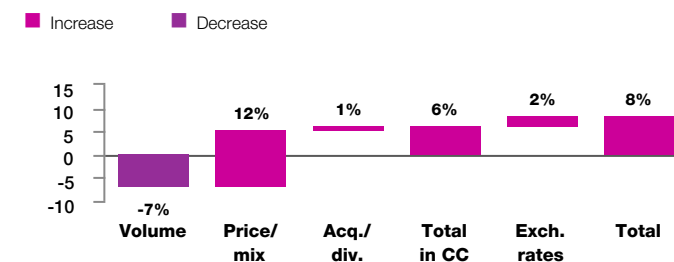
Revenue

First quarter

in € millions	2021	2022	Δ%	Δ% CC*
Deco Paints Europe, Middle East and Africa	596	600	1%	—%
Deco Paints South America	97	119	23%	17%
Deco Paints Asia	237	287	21%	14%
Total	930	1,006	8%	6%

* Change excluding currency impact

Revenue development Q1 2022



Key financial figures

First quarter

in € millions / %	2021	2022	Δ%
Operating income ¹	143	113	(21%)
Identified items ²	(1)	8	
Adjusted operating income ^{1,2}	144	105	(27%)
OPI margin (%) ^{1,2}	15.4	11.2	
ROS (%) ^{1,2}	15.5	10.4	
Average invested capital ²	2,776	2,997	8%
ROI (%) ^{1,2}	23.5	18.1	

¹ Operating income and adjusted operating income (and related measures) for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in 'Other activities'. More information is available on our website.

² Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 12 and 13.

Performance Coatings

Highlights Q1 2022

- Pricing up 19%. Revenue up 14% and up 12% in constant currencies. Significant revenue growth in all segments
- ROS at 9.8% (2021: 14.1%), resulting from continued raw material cost inflation and supply constraints, mainly in North America

Q1 2022

Pricing up 19%. Revenue was 14% higher and up 12% in constant currencies, driven by strong pricing initiatives in all segments, despite lower volumes. Volumes 7% lower, due to significant supply constraints, especially in North America, and COVID-19 impact in China.

Operating income of €150 million (2021: €185 million), with pricing initiatives more than offsetting the continued significant impact from raw material and freight costs inflation. Operating income included €1 million positive identified items related to transformation initiatives (2021: negative €3 million).

Adjusted operating income at €149 million (2021: €188 million). ROS at 9.8% (2021: 14.1%).

Powder Coatings

Revenue in Q1 was up 8% and 7% higher in constant currencies. Revenue growth in Powder Coatings was driven by pricing initiatives, mainly in the industrial and consumer segments. Powder Coatings continued to be impacted by supply constraints, especially in North America.

Marine and Protective Coatings

Revenue in Q1 was up 11% and 8% higher in constant currencies. The increase was driven by pricing initiatives in all segments, which more than offset lower volumes due to supply constraints.

Automotive and Specialty Coatings

Revenue in Q1 was 12% higher and 10% higher in constant currencies, mainly due to pricing initiatives more than offsetting slightly lower volumes. Aerospace and vehicle refinishes showed continued strong recovery.

Industrial Coatings

Revenue in Q1 was up 21% and 20% in constant currencies, driven by significant pricing initiatives. Revenue growth in all segments, especially in wood adhesives and packaging, despite volume impact from continued supply constraints.

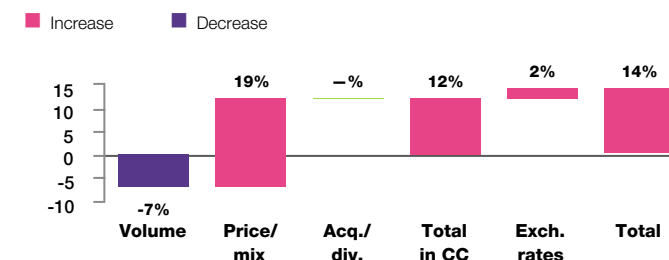
Revenue

First quarter

in € millions	2021	2022	Δ%	Δ% CC*
Powder Coatings	318	344	8%	7%
Marine and Protective Coatings	270	301	11%	8%
Automotive and Specialty Coatings	303	340	12%	10%
Industrial Coatings	441	533	21%	20%
Total	1,332	1,518	14%	12%

* Change excluding currency impact.

Revenue development Q1 2022



Key financial figures

First quarter

in € millions / %	2021	2022	Δ%
Operating income ¹	185	150	(19%)
Identified items ²	(3)	1	
Adjusted operating income ^{1,2}	188	149	(21%)
OPI margin (%) ^{1,2}	13.9	9.9	
ROS (%) ^{1,2}	14.1	9.8	
Average invested capital ²	3,394	3,593	6%
ROI (%) ^{1,2}	20.6	16.0	

¹ Operating income and adjusted operating income (and related measures) for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in 'Other activities'. More information is available on our website.

² Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 12 and 13.

Condensed consolidated financial statements

Condensed consolidated statement of income

Condensed consolidated statement of income		
First quarter in € millions	2021	2022
Continuing operations		
Revenue	2,263	2,525
Cost of sales*	(1,265)	(1,544)
Gross profit	998	981
SG&A costs*	(696)	(749)
Other results	1	—
Operating income	303	232
Financing income and expenses	(8)	(12)
Results from associates and joint ventures	7	8
Profit before tax	302	228
Income tax	(73)	(62)
Profit for the period from continuing operations	229	166
Discontinued operations		
Profit/(loss) for the period from discontinued operations	(2)	—
Profit for the period	227	166
Attributable to		
Shareholders of the company	217	154
Non-controlling interests	10	12
Profit for the period	227	166

* Cost of sales and SG&A costs for 2021 have been updated to reflect changes in the financial reporting structure related to recent changes in the organizational set up and related governance structure, with no net impact on operating income or net income. More information is available on our website.

Condensed consolidated statement of comprehensive income

Condensed consolidated statement of comprehensive income		
First quarter in € millions	2021	2022
Profit for the period	227	166
Other comprehensive income		
Exchange differences arising on translation of foreign operations	212	27
Cash flow hedges	—	34
Post-retirement benefits	(47)	40
Tax relating to components of other comprehensive income	(2)	(12)
Other comprehensive income for the period (net of tax)	163	89
Comprehensive income for the period	390	255
Comprehensive income for the period attributable to		
Shareholders of the company	376	246
Non-controlling interests	14	9
Comprehensive income for the period	390	255

Condensed consolidated balance sheet

Condensed consolidated balance sheet		
in € millions	December 31, 2021	March 31, 2022
Assets		
Non-current assets		
Intangible assets	3,690	3,717
Property, plant and equipment	1,800	1,803
Right-of-use assets	304	295
Other non-current assets	2,736	2,745
Total non-current assets	8,530	8,560
Current assets		
Inventories	1,650	1,852
Trade and other receivables	2,339	2,593
Current tax assets	149	147
Short-term investments	58	1,081
Cash and cash equivalents	1,152	1,418
Total current assets	5,348	7,091
Total assets	13,878	15,651
Equity and liabilities		
Group equity		
Non-current liabilities		
Provisions and deferred tax liabilities	1,379	1,341
Long-term borrowings	1,994	3,178
Total non-current liabilities	3,373	4,519
Current liabilities		
Short-term borrowings	1,556	2,008
Trade and other payables	2,948	3,087
Other short-term liabilities	365	375
Total current liabilities	4,869	5,470
Total equity and liabilities	13,878	15,651

Shareholders' equity

Shareholders' equity amounted to €5.4 billion at March 31, 2022, compared with €5.4 billion at year-end 2021. Main movements relate to:

- Profit for the period of €154 million

Offset by:

- Share buyback of €227 million (including taxes)

Dividend

The dividend policy remains unchanged and is to pay a stable to rising dividend.

A final 2021 dividend of €1.54 per common share is proposed for approval at the AGM on April 22, 2022, which results in a total 2021 dividend of €1.98 per share (2020: €1.95).

Please refer to the last page of this report for the dividend payments dates.

Outstanding share capital

The outstanding share capital was 181.8 million common shares at the end of March 2022. This included 4.9 million shares acquired in the share buyback programs not yet cancelled.

The weighted average number of shares in Q1 2022 was 177.7 million shares. These weighted average numbers of shares exclude shares not yet cancelled and were the basis for the calculation of earnings per share.

In February 2021, a €1 billion share buyback program was announced, which was completed in January 2022.

In February 2022, a €500 million share buyback program was announced, to be completed by Q1 2023. As at March 31, 2022, 0.8 million shares had been acquired under this program.

Changes in equity

in € millions	Subscribed share capital	Cash flow hedge reserve	Cumulative translation reserves	Other (legal) reserves and undistributed profit	Shareholders' equity	Non-controlling interests	Group equity
Balance at December 31, 2020	95	–	(873)	6,524	5,746	204	5,950
Profit for the period	–	–	–	217	217	10	227
Other comprehensive income	–	–	210	(51)	159	4	163
Comprehensive income for the period	–	–	210	166	376	14	390
Dividend	–	–	–	–	–	(3)	(3)
Share buyback	–	–	–	(236)	(236)	–	(236)
Equity-settled transactions	–	–	–	3	3	–	3
Balance at March 31, 2021	95	–	(663)	6,457	5,889	215	6,104
Balance at December 31, 2021	91	(19)	(493)	5,846	5,425	211	5,636
Profit for the period	–	–	–	154	154	12	166
Other comprehensive income	–	34	29	29	92	(3)	89
Comprehensive income for the period	–	34	29	183	246	9	255
Dividend	–	–	–	–	–	(6)	(6)
Share buyback	–	–	–	(227)	(227)	–	(227)
Equity-settled transactions	–	–	–	4	4	–	4
Balance at March 31, 2022	91	15	(464)	5,806	5,448	214	5,662

Cash flows and net debt

Net cash from operating activities in Q1 resulted in an outflow of €102 million (2021: outflow of €31 million). This increase in outflow was mainly driven by higher changes in working capital and lower profit for the quarter, partly offset by pension pre-funding and lower changes in other provisions.

Net cash from investing activities in Q1 resulted in an outflow of €1,061 million (2021: outflow of €170 million) and mainly relates to investments in deposits and money market funds from bonds issuance and commercial paper borrowings (refer to net cash from financing activities).

Net cash from financing activities in Q1 resulted in an inflow of €1,406 million (2021: outflow of €240 million). Net cash from financing activities mainly related to an inflow of €1,609 million from borrowings (resulting from the issue of a dual-tranche bond of €1.2 billion and the issue of commercial paper of €0.4 billion), partly offset by the outflow due to the share buyback programs (€196 million).

At March 31, 2022, net debt was €2,687 million versus €2,340 million at year-end 2021, mainly due to outflows related to the share buyback programs (€196 million), net cash used for operating activities (€102 million) and capital expenditures (€57 million). The net debt/EBITDA leverage ratio at March 31, 2022 was 1.9 (March 31, 2021: 1.0).

Free cash flows

The free cash flow in Q1 was lower compared with Q1 2021, mainly due to the impact from changes in working capital.

Condensed consolidated statements of cash flows

First quarter in € millions	2021	2022
Net cash and cash equivalents at beginning of period	1,581	1,112
Profit for the period from continuing operations	229	166
Amortization and depreciation	85	89
Impairment losses	—	3
Financing income and expenses	8	12
Results from associates and joint ventures	(7)	(8)
Pre-tax result on acquisitions and divestments	(11)	(13)
Income tax	73	62
Changes in working capital	(291)	(404)
Pension pre-funding	—	48
Changes in post-retirement benefit provisions	(11)	(1)
Changes in other provisions	(55)	(13)
Interest paid	(4)	(4)
Income tax paid	(44)	(39)
Other changes	(3)	—
Net cash generated from/(used for) operating activities	(31)	(102)
Capital expenditures	(57)	(57)
Acquisitions and divestments net of cash acquired/divested	(65)	6
Investments in short-term investments	(51)	(1,045)
Repayments of short-term investments	—	24
Other changes	3	11
Net cash generated from/(used for) investing activities	(170)	(1,061)
Changes from borrowings	(28)	1,609
Share buyback	(209)	(196)
Dividend paid	(3)	(7)
Net cash from/(used for) financing activities	(240)	1,406
Net cash generated from/(used for) continuing operations	(441)	243
Cash flows from discontinued operations	—	—
Net change in cash and cash equivalents of continued and discontinued operations	(441)	243
Effect of exchange rate changes on cash and cash equivalents	16	9
Net cash and cash equivalents at March 31	1,156	1,364

Consolidated statement of free cash flows

First quarter in € millions	2021	2022
EBITDA	388	321
Impairment losses	—	3
Pre-tax results on acquisitions and divestments	(11)	(13)
Changes in working capital	(291)	(404)
Pension pre-funding	—	48
Pension top-up payments	(8)	(1)
Other changes in provisions	(58)	(13)
Interest paid	(4)	(4)
Income tax paid	(44)	(39)
Other	(3)	—
Net cash generated from/(used for) operating activities	(31)	(102)
Capital expenditures	(57)	(57)
Free cash flow	(88)	(159)



Paint the Future winners sign letters of intent

Three startups have signed letters of intent to continue working together on sustainable business opportunities with AkzoNobel following our latest global Paint the Future startup challenge. SolCold from Israel, Aeronex from Latvia and SprayVision from the Czech Republic received their awards following an intense three-day bootcamp at our head office in Amsterdam, the Netherlands.

Invested capital

Invested capital at March 31, 2022, totaled €7.5 billion, up €0.4 billion from year-end 2021. This increase was mainly caused by higher operating working capital (trade).

Operating working capital (Trade)

Operating working capital (trade) was €1.7 billion at March 31, 2022 (March 31, 2021: €1.2 billion). Operating working capital (trade) as a percentage of revenue was 16.5% in Q1, compared with 13.4% in Q1 2021. This increase in operating working capital (trade) as a percentage of revenue was mainly due to the increase in raw material prices in Q1 compared with Q1 2021, as well as supply constraints.

Pension

The net balance sheet position (according to IAS19) of the pension plans at the end of Q1 was a surplus of €1.2 billion (year-end 2021: surplus of €1.1 billion). The development during 2022 was the result of the net effect of:

- Higher discount rates in key countries
- Partly offset by:
- Lower plan asset returns in key countries
 - Higher inflation rates in key countries

Workforce

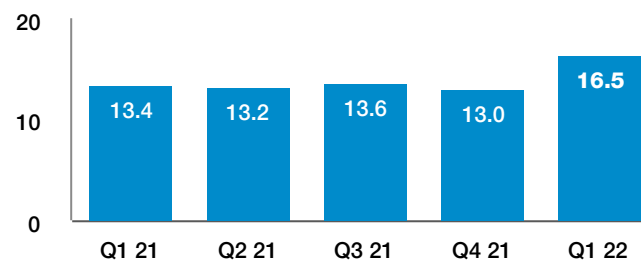
At March 31, 2022, the number of people employed was 32,900 (December 31, 2021: 32,800).

Invested capital

in € millions	March 31, 2021	December 31, 2021	March 31, 2022
Trade receivables	2,027	1,973	2,289
Inventories	1,303	1,650	1,852
Trade payables	(2,119)	(2,376)	(2,473)
Operating working capital (trade)	1,211	1,247	1,668
Other working capital items	(437)	(273)	(390)
Non-current assets	8,225	8,530	8,560
Less investments in associates and joint ventures	(173)	(178)	(187)
Less pension assets	(1,548)	(1,638)	(1,622)
Deferred tax liabilities	(478)	(567)	(579)
Invested capital	6,800	7,121	7,450

Operating working capital (trade) in % of revenue

In % of revenue



In-house production of resins being scaled-up

We're investing in the expansion of in-house resin manufacturing as part of the company's Grow & Deliver strategy. The scale-up program, which is already underway, will help build resilience against supply disruptions while making an important contribution to achieving our financial and Scope 3 (upstream) carbon reduction ambitions.

Notes to the condensed consolidated financial statements

General information

Akzo Nobel N.V. is a public limited liability company headquartered in Amsterdam, the Netherlands. The interim condensed consolidated financial statements include the financial statements of Akzo Nobel N.V. and its consolidated subsidiaries (in this document referred to as "AkzoNobel", "the Group" or "the company"). The company was incorporated under the laws of the Netherlands and is listed on Euronext Amsterdam.

Basis of preparation

All figures in this report are unaudited. The interim condensed consolidated financial statements were discussed and approved by the Board of Management and the Supervisory Board. These condensed financial statements have been authorized for issue. The interim condensed consolidated financial statements should be read in conjunction with AkzoNobel's consolidated financial statements in the 2021 annual report as published on March 2, 2022. The 2021 financial statements are proposed for adoption by the Annual General Meeting of shareholders on April 22, 2022. In accordance with Article 393 of Book 2 of the Dutch Civil Code, PricewaterhouseCoopers Accountants N.V. has issued an unqualified auditor's opinion on these annual financial statements.

Accounting policies

The significant accounting policies applied in the condensed consolidated interim financial statements are consistent with those applied in AkzoNobel's consolidated financial statements for the year ended December 31, 2021, except for IFRS standards and interpretations becoming effective on January 1, 2022. This includes, among others, amendments to IFRS 3 "References to the Conceptual Framework", amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use", amendments to IAS 37 "Onerous Contracts – Costs of Fulfilling a Contract" and AIP IFRS 9 "Financial instruments – Fees in the '10 percent' test for derecognition of Financial liabilities". These changes have been assessed for their potential impact and do not have a material effect on AkzoNobel's consolidated financial statements.

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim financial reporting".

Seasonality

Revenue and results in Decorative Paints are impacted by seasonal influences. Revenue and profitability tend to be higher in the second and third quarter of the year as weather conditions determine whether paints and coatings can be applied.

In Performance Coatings, revenue and profitability vary, among others, with building patterns from original equipment manufacturers.

Other activities

In Other activities, we report activities which are not allocated to a particular segment.

Related parties

AkzoNobel purchased and sold goods and services to various related parties in which we hold a 50% or less equity interest (associates and joint ventures). We consider the members of the Executive Committee and the Supervisory Board to be the key management personnel as defined in IAS 24 "Related parties".

In the ordinary course of business, we have transactions with various organizations with which certain of the members of the Supervisory Board and Executive Committee are associated. All related party transactions were conducted at arm's length with terms comparable with third party transactions.

Revenue disaggregation

The table below reflects the disaggregation of revenue. Additional disaggregation of revenue is included on the respective pages of Decorative Paints and Performance Coatings.

Revenue disaggregation

January-March 2022

in € millions	Decorative Paints	Performance Coatings	Other	Total
Primary geographical markets				
The Netherlands	54	30	1	85
Other EMEA countries	546	645	–	1,191
North Asia	132	265	–	397
South Asia Pacific	155	171	–	326
North America	–	329	–	329
South America	119	78	–	197
Total	1,006	1,518	1	2,525
Timing of revenue recognition				
Goods transferred at a point in time	991	1,469	–	2,460
Services transferred over time	15	49	1	65
Total	1,006	1,518	1	2,525

Alternative performance measures

In presenting and discussing AkzoNobel's operating results, management uses certain alternative performance measures (APM) not defined by IFRS, which exclude the so-called identified items that are generated outside the normal course of business. Identified items are special charges and benefits, results on acquisitions and divestments, major restructuring and impairment charges, and charges and benefits related to major legal, environmental and tax cases. Alternative performance measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. Alternative performance measures do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Where a non-financial measure is used to calculate an operational or statistical ratio, this is also considered an APM.

A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the tables on this page and the next page.

ROS and OPI margins are used as performance measures. ROS is adjusted operating income as percentage of revenue. OPI margin is operating income as percentage of revenue. The calculations are based on the revenue as disclosed in the revenue table on page 3.

Updates in financial reporting structure

Operating income, adjusted operating income, EBITDA and adjusted EBITDA (and related measures) per segment for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in 'Other activities'. More information is available on our website.

Operating income

First quarter			
in € millions	2021	2022	Δ%
Decorative Paints	143	113	(21%)
Performance Coatings	185	150	(19%)
Other activities	(25)	(31)	
Total	303	232	(23%)

Identified items

First quarter			
in € millions	2021	2022	Δ%
Decorative Paints	(1)	8	
Performance Coatings	(3)	1	
Other activities	—	(7)	
Total	(4)	2	

Adjusted operating income

First quarter			
in € millions	2021	2022	Δ%
Decorative Paints	144	105	(27%)
Performance Coatings	188	149	(21%)
Other activities	(25)	(24)	
Total	307	230	(25%)

EBITDA

First quarter			
in € millions	2021	2022	Δ%
Operating income	303	232	(23%)
Depreciation and amortization	85	89	
EBITDA	388	321	(17%)

Adjusted EBITDA

First quarter			
in € millions	2021	2022	Δ%
Adjusted operating income	307	230	(25%)
Depreciation and amortization (excluding identified items)	84	87	
Adjusted EBITDA	391	317	(19%)

OPI margin

First quarter			
in %	2021	2022	Δ%
Decorative Paints	15.4	11.2	
Performance Coatings	13.9	9.9	
Other activities*			
Total	13.4	9.2	

ROS

First quarter			
in %	2021	2022	Δ%
Decorative Paints	15.5	10.4	
Performance Coatings	14.1	9.8	
Other activities*			
Total	13.6	9.1	

* ROS% and OPI margin for Other activities are not shown, as this is not meaningful.

Adjusted earnings per share from continuing operations

First quarter		
in € millions	2021	2022
Profit before tax from continuing operations	302	228
Identified items reported in operating income	4	(2)
Adjusted income tax	(74)	(61)
Non-controlling interests	(10)	(12)
Adjusted net income from continuing operations	222	153
Weighted average number of shares (in millions)	188.8	177.7
Adjusted earnings per share from continuing operations	1.18	0.86

ROI is adjusted operating income of the last 12 months as percentage of average invested capital.

Average invested capital

April 2020 - March 2021/April 2021 - March 2022

in € millions	2021	2022	Δ%
Decorative Paints	2,776	2,997	8%
Performance Coatings	3,394	3,593	6%
Other activities	556	418	
Total	6,726	7,008	4%

ROI%

April 2020 - March 2021/April 2021 - March 2022

in %	2021	2022
Decorative Paints	23.5	18.1
Performance Coatings	20.6	16.0
Other activities*		
Total	17.7	14.5

* ROI% for Other activities is not shown, as this is not meaningful.

The leverage ratio is calculated based on the net debt per balance sheet position divided by EBITDA of the last 12 months.

EBITDA

April 2020 - March 2021/April 2021 - March 2022

in € millions	2021	2022
Operating income	1,079	1,047
Depreciation and amortization	356	355
EBITDA	1,435	1,402

Net debt

in € millions	March 31, 2021	March 31, 2022
Short-term investments	(301)	(1,081)
Cash and cash equivalents	(1,197)	(1,418)
Long-term borrowings	2,765	3,178
Short-term borrowings	141	2,008
Total	1,408	2,687

Leverage ratio

April 2020 - March 2021/April 2021 - March 2022

in € millions	2021	2022
Net debt	1,408	2,687
EBITDA	1,435	1,402
Leverage ratio	1.0	1.9

Outlook

AkzoNobel targets to grow at or above its relevant markets, in line with the company's Grow & Deliver strategy. Trends differ per region and segment, with raw material and other variable cost inflation (including freight) expected to gradually ease during the second half of 2022. AkzoNobel aims to continue to offset raw material and other variable cost inflation (including freight) through pricing initiatives. Market uncertainties have increased due to the sanctions on Russia and the resurgence of COVID-19 in China, among others. Assuming there are no further significant market disruptions, AkzoNobel aims to deliver the €2 billion adjusted EBITDA target for 2023, and an average annual 50 basis points increase in return on sales over the period 2021-2023*. AkzoNobel targets a leverage ratio of 1-2 times net debt/EBITDA and is committed to retaining a strong investment grade credit rating.

* Please refer to the glossary on page 17 for underlying assumptions

Amsterdam, April 20, 2022 The Board of Management

Thierry Vanlancker
Maarten de Vries



Taking a quantum leap to fast track innovation

We've teamed up with Microsoft to explore how quantum computing could help fast track the development of more sustainable paints and coatings. Scientists from both parties will use Microsoft's powerful Azure Quantum ecosystem to co-develop what will effectively be a virtual laboratory. The aim is to conduct experiments using quantum chemistry, which is capable of performing multiple complex processes with lightning quick speed and efficiency.

Paints and Coatings

Quarterly statistics

	Q1	Q2	Q3	Q4	2021 Year	in € millions	2022 Q1
Revenue							
	930	1,086	1,013	950	3,979	Decorative Paints	1,006
	1,332	1,423	1,396	1,452	5,603	Performance Coatings	1,518
	1	2	1	1	5	Other activities	1
	2,263	2,511	2,410	2,403	9,587	Total	2,525
EBITDA^{1,2}							
	179	271	181	145	776	Decorative Paints	151
	223	217	166	170	776	Performance Coatings	190
	(14)	(19)	(34)	(16)	(83)	Other activities	(20)
	388	469	313	299	1,469	Total	321
	17.1	18.7	13.0	12.4	15.3	EBITDA margin (in %)	12.7
Adjusted EBITDA (excluding identified items)^{1,2}							
	179	222	184	143	728	Decorative Paints	142
	225	210	168	170	773	Performance Coatings	188
	(13)	(13)	(27)	(12)	(65)	Other activities	(13)
	391	419	325	301	1,436	Total	317
	17.3	16.7	13.5	12.5	15.0	Adjusted EBITDA margin (in %)	12.6
Depreciation/Depreciation excluding identified items²							
	(31)/(30)	(32)/(30)	(33)/(32)	(38)/(36)	(134)/(128)	Decorative Paints	(33)/(32)
	(29)/(28)	(31)/(31)	(32)/(32)	(33)/(33)	(125)/(124)	Performance Coatings	(31)/(30)
	(8)/(9)	(5)/(6)	(4)/(2)	(5)/(5)	(22)/(22)	Other activities	(7)/(7)
	(68)/(67)	(68)/(67)	(69)/(66)	(76)/(74)	(281)/(274)	Total	(71)/(69)
Amortization/Amortization excluding identified items²							
	(5)/(5)	(5)/(5)	(5)/(5)	(5)/(5)	(20)/(20)	Decorative Paints	(5)/(5)
	(9)/(9)	(8)/(8)	(9)/(9)	(9)/(9)	(35)/(35)	Performance Coatings	(9)/(9)
	(3)/(3)	(4)/(4)	(4)/(4)	(4)/(4)	(15)/(15)	Other activities	(4)/(4)
	(17)/(17)	(17)/(17)	(18)/(18)	(18)/(18)	(70)/(70)	Total	(18)/(18)

¹ Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 12 and 13.

² EBITDA, adjusted EBITDA, depreciation and amortization (and related measures) per segment for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in 'Other activities'. More information is available on our website.

Paints and Coatings

Quarterly statistics

	Q1	Q2	Q3	Q4	2021 Year	in € millions	2022 Q1
Operating income²							
	143	234	143	102	622	Decorative Paints	113
	185	178	125	128	616	Performance Coatings	150
	(25)	(28)	(42)	(25)	(120)	Other activities	(31)
	303	384	226	205	1,118	Total	232
	13.4	15.3	9.4	8.5	11.7	OPI margin (in %)	9.2
Identified items included in operating income							
	(1)	47	(4)	—	42	Decorative Paints	8
	(3)	7	(2)	—	2	Performance Coatings	1
	—	(5)	(9)	(4)	(18)	Other activities	(7)
	(4)	49	(15)	(4)	26	Total	2
Adjusted operating income (excluding identified items)^{1,2}							
	144	187	147	102	580	Decorative Paints	105
	188	171	127	128	614	Performance Coatings	149
	(25)	(23)	(33)	(21)	(102)	Other activities	(24)
	307	335	241	209	1,092	Total	230
	13.6	13.3	10.0	8.7	11.4	ROS (in %)	9.1
Reconciliation net financing income/(expenses)							
	3	4	2	3	12	Financing income	4
	(17)	(18)	(20)	(19)	(74)	Financing expenses	(16)
	(14)	(14)	(18)	(16)	(62)	Net interest on net debt	(12)
Other interest movements							
	3	3	4	3	13	Financing expenses related to post-retirement benefits	5
	5	(2)	—	—	3	Interest on provisions	6
	(2)	9	(5)	5	7	Other items	(11)
	6	10	(1)	8	23	Net other financing charges	—
	(8)	(4)	(19)	(8)	(39)	Net financing expenses	(12)

¹ Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 12 and 13.

² Operating income and adjusted operating income (and related measures) per segment for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in 'Other activities'. More information is available on our website.

AkzoNobel

Quarterly statistics

	Q1	Q2	Q3	Q4	2021 Year		2022 Q1
Quarterly net income analysis (in € millions)							
	7	8	6	5	26	Results from associates and joint ventures	8
	302	388	213	202	1,105	Profit before tax	228
	(73)	(123)	(48)	(2)	(246)	Income tax	(62)
	229	265	165	200	859	Profit for the period from continuing operations	166
	24	32	23	1	22	Effective tax rate (in %)	27
Earnings per share from continuing operations (in €)							
	1.16	1.36	0.89	1.03	4.45	Basic	0.87
	1.16	1.35	0.89	1.02	4.43	Diluted	0.86
Earnings per share from discontinued operations (in €)							
	(0.01)	0.04	—	0.01	0.03	Basic	—
	(0.01)	0.04	—	0.01	0.03	Diluted	—
Earnings per share from total operations (in €)							
	1.15	1.40	0.89	1.04	4.48	Basic	0.87
	1.15	1.39	0.89	1.03	4.46	Diluted	0.86
Number of shares (in millions)							
	188.8	187.0	184.1	180.6	185.0	Weighted average number of shares ¹	177.7
	187.8	185.6	182.4	178.9	178.9	Number of shares at end of quarter ¹	176.9
Adjusted earnings from continuing operations (in € millions)²							
	302	388	213	202	1,105	Profit before tax from continuing operations	228
	4	(49)	15	4	(26)	Identified items reported in operating income	(2)
	—	(20)	(1)	(8)	(29)	Identified items reported in interest	—
	(74)	(83)	(54)	(50)	(261)	Adjusted income tax	(61)
	(10)	(11)	(1)	(14)	(36)	Non-controlling interests	(12)
	222	225	172	134	753	Adjusted net income from continuing operations	153
	1.18	1.20	0.93	0.74	4.07	Adjusted earnings per share from continuing operations (in €)	0.86

¹ After share buyback

² Alternative performance measures; please refer to reconciliation to the most directly comparable IFRS measures on pages 12 and 13.

Glossary

Adjusted earnings per share are the basic earnings per share from operations, excluding identified items and taxes thereon.

Adjusted EBITDA is operating income excluding depreciation, amortization and identified items.

Adjusted EBITDA margin is adjusted EBITDA as percentage of revenue.

Adjusted operating income is operating income excluding identified items.

Capital expenditures is the total of investments in property, plant and equipment and investments in intangible assets.

Comprehensive income is the change in equity during a period resulting from transactions and other events other than those changes resulting from transactions with shareholders in their capacity as shareholders.

Constant currencies calculations exclude the impact of changes in foreign exchange rates.

EBITDA is operating income excluding depreciation and amortization.

EBITDA margin is EBITDA as percentage of revenue.

EMEA is Europe, Middle East and Africa.

Free cash flow is net cash generated from/(used for) operating activities minus capital expenditures.

Identified items are special charges and benefits, results on acquisitions and divestments, major restructuring and impairment charges, and charges and benefits related to major legal, environmental and tax cases.

Invested capital is total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position, assets held for sale) less current income tax payable, deferred tax liabilities and trade and other payables.

Leverage ratio is calculated as net debt divided by EBITDA, which is calculated as the total of the last 12 months.

Net debt is defined as long-term borrowings plus short-term borrowings less cash and cash equivalents and short-term investments.

North America includes Mexico.

North Asia includes, among others, China, Japan and South Korea.

Operating income is defined as income excluding net financing expenses, results from associates and joint ventures, income tax and profit/loss from discontinued operations. Operating income includes the share of non-controlling interests. Operating income includes identified items to the extent these relate to lines included in operating income.

Operating working capital (trade) is defined as the sum of inventories, trade receivables and trade payables. When expressed as a ratio, operating working capital is measured against four times last quarter revenue.

OPI margin is operating income as percentage of revenue.

ROI is adjusted operating income of the last 12 months as percentage of average invested capital.

ROS is adjusted operating income as percentage of revenue.

SG&A costs includes selling and distribution expenses, general and administrative expenses and research, development and innovation expenses.

South America excludes Mexico.

South Asia Pacific includes South East Asia and Asia Pacific.

Assumptions for 2022-2023

- Revenue growth \geq market CAGR (market data by Orr & Boss, internally reduced forecast)
- €2 billion adjusted EBITDA for 2023
- 150 bps ROS expansion versus 2020
- Other activities €100-130 million per year
- Effective tax rate ~26%
- Capital expenditures ~3% of revenues
- Dividend policy “stable to rising”
- Leverage 1-2x net debt/EBITDA
- No significant market disruption

Safe harbor statement

This report contains statements which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecast and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures, as well as significant market disruptions such as the impact of pandemics. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business, please see our latest annual report.

Brand and trademarks

In this report, reference is made to brands and trademarks owned by, or licensed to, AkzoNobel. Unauthorized use of these is strictly prohibited.

Akzo Nobel N.V.

Christiaan Neefestraat 2
 P.O. Box 75730
 1070 AS Amsterdam, the Netherlands
 T +31 88 969 7555
www.akzonobel.com

For more information:

The explanatory sheets used during the press conference can be viewed on AkzoNobel's corporate website: www.akzonobel.com

AkzoNobel Global Communications
 T +31 88 969 7833
 E media.relations@akzonobel.com

AkzoNobel Investor Relations
 T +31 88 969 7856
 E investor.relations@akzonobel.com

Financial calendar

Annual General Meeting of shareholders	April 22, 2022
Ex-dividend date of 2021 final dividend	April 26, 2022
Record date of 2021 final dividend	April 27, 2022
Payment of 2021 final dividend	May 4, 2022
Report for the second quarter	July 20, 2022

AkzoNobel

We supply the sustainable and innovative paints and coatings that our customers, communities – and the environment – are increasingly relying on. That's why everything we do starts with People. Planet. Paint. Our world class portfolio of brands – including Dulux, International, Sikkens and Interpon – is trusted by customers around the globe. We're active in more than 150 countries and have set our sights on becoming the global industry leader. It's what you'd expect from a pioneering paints company that's committed to science-based targets and is taking genuine action to address globally relevant challenges and protect future generations.

For more information please visit www.akzonobel.com.